

JAN 21 2005

DIVISION C
OIL AND GAS

Mark Myers, Director
Alaska Department of Natural Resources
Division of Oil and Gas
3601 C Street, Suite 1380
Anchorage, Alaska 99503-5948

October 1, 2004

RE: Thirty-First Plan of Development
NICOLAI CREEK UNIT
STATE OF ALASKA
Unit Agreement
Nicolai Creek Unit Area

Thirty-First Plan of Development and Operations

Dear Mr. Myers:

Reference is made to the captioned Unit Agreement being DNR No. 14-08-0001-8913

Pursuant to Article X of the Nicolai Creek Unit Agreement, Aurora Gas, LLC, as designated Unit Operator, submits for approval this **Thirty-First** Plan of Development and Operations.

A. DURATION:

This plan shall be in effect from January 1, 2005, through December 31, 2005.

B. DRILLING OPERATIONS DURING THE THIRTY-FIRST PLAN OF DEVELOPMENT AND OPERATIONS:

No firm development wells are currently planned for the Plan Period. However, an extensive review and interpretation of the existing 3D seismic data will possibly lead to a new development well which will target stacked Carya 2 (Upper Tyonek) channel sands.

C. REMEDIAL AND DEVELOPMENT WELL WORK DURING THE THIRTY-FIRST PLAN OF DEVELOPMENT AND OPERATIONS:

No remedial well work is currently planned for the Plan Period.

The No. 2 Well is currently producing from the Carya 2.1-1, 2.1-2 and the 2.2-1 perforations found at 2,422'-76', 2,694'-2,714', 2,870'-76' & 2,892'-2,918'. Since production is declining rapidly, it is likely that there will be a recompletion of the Tsuga 2-8.2 and 2-8.3 sands found at 2,000'-10', 2,065'-80', 2,155'-65' and 2,240'-70', which have not been produced within the confines of the field to date.

Also, the No. 1B Well is known to produce some sand and water from preliminary tests, so the sand-exclusion screens run upon recompletion during the Twenty-Eighth Plan Period are apparently damaged and will be replaced. If production cannot be sustained at commercially attractive rates from the existing Carya 2-4.2, 2-5.1 and 2-6.1 sands found at 3,191'-3,211', 3,371'-3,401' and 3,560'-75', a recompletion might be performed on the Tsuga 2-8.3 sands found at 2,307'-26' and 2,348'-75'.

D. PRODUCTION:

The initial production from the No. 1B Well is from the Carya 2.4-2, 2.5-1 and the 2.6-1 perforations found at 3,191'-3,211', 3,371'-3,401', and 3,560'-75', respectively. Cumulative production from the No. 1B well through August, 2004, is 1,974 mcf. Additional perforations may be added to these completions as production (see Section C above) and the operations related thereto continue.

The initial production from the No. 2 Well is from the Carya 2.1-1, 2.1-2 and the 2.2-1 perforations found at 2,422'-76', 2,694'-2,714', 2,870'-76' & 2,892'-2,918' respectively. Cumulative production from the No. 2 well through August, 2004, is 367,659 mcf. Additional perforations may be added to these completions as production (see Section C above) and the operations related thereto continue.

The initial production from the No. 9 Well is from the Tsuga 2.8-1 perforations found at 1,320'-30', 1,343'-93' and 1,407'-47'. Cumulative production from the No. 9 well through August, 2004, is 440,855 mcf. Additional recompletion opportunities have been identified for later attention in subsequent years.

The No. 1B, No. 2 and No. 9 wells combined have produced a cumulative total of 810,488 mcf through August, 2004, since production was restored in August, 2003, during the Twenty-Ninth Plan Period.

Gas production and sales from the No. 3 Well have been curtailed since February, 2004, when a workover was undertaken to add additional perforations in the Tsuga 2-8.1 sand interval. Once production is restored, production from the Carya 2-1.1, 2-1.2, and 2-2.1 perforations found at 1,900'-50', 2,005'-32' and 2,201'-38' will be commingled with these new shallower zones. Cumulative production from the No. 3 well through August, 2004, is 1,890,838 mcf, which includes 893,000 mcf of production prior to the Aurora recompletion in early 2001. Production is expected to be restored at a nominal rate of between 500-1,000 mcf per day in the Thirty-First Plan of Development Period.

E. PLANNED FIELD MODIFICATION AND OPERATION:

JAN 21 2005

No additional major modifications or additions to field operations are planned.

DIVISION OF

Oil and Gas

F. WELL DATA:

Drilling-	0	
Producing-	4	(No. 3 ,No. 1B & No. 2, No. 9)
Shut-in Pending Facility Installation-	0	
Suspended-	0	
Abandoned-	2	(No. 4 & 6)

G. DRILLING / WORKOVER / FIELD MODIFICATION DURING THE THIRTIETH PLAN OF DEVELOPMENT AND OPERATIONS:

The No. 3 Well was worked over during the Thirtieth Plan Period, with additional sets of perforations added at 1,494'-1,502', 1,506'-12' and 1,516'-42' in the Tsuga 2-8.1 sand interval.

H. OWNERSHIP / OPERATOR CHANGES DURING THE THIRTIETH PLAN OF DEVELOPMENT AND OPERATIONS:

There were no changes during the Thirtieth Plan Period.

I. OWNERSHIP / OPERATORSHIP CHANGES DURING THE *Thirty-First* PLAN OF DEVELOPMENT AND OPERATIONS:

None planned.

Aurora Gas, LLC, designated as Unit Operator, reserves the right to modify the Plan of Development and Operations if economic or geological factors warrant; however, such modifications are not to be commenced without prior consent of the Department of Natural Resources.

Your approval of this submitted Plan is respectfully requested.

Sincerely,
Aurora Gas, LLC

By: *Randall A. Jones, CPL*
for Andrew C. Clifford
Executive Vice President

aurora ncu 2005 pod-revised